

**REPORT OF THE
BOARD OF DIRECTORS OF THE
COOK COUNTY HEALTH AND HOSPITALS SYSTEM**

OCTOBER 16, 2008

ATTENDANCE

Present: Chairman Warren L. Batts; Vice Chairman Ramirez and Directors David A. Ansell, MD, MPH; Hon. Jerry Butler; David Carvalho; Quin R. Golden; Benn Greenspan, PhD, MPH, FACHE; Sister Sheila Lyne, RSM; Luis Muñoz, MD, MPH and Heather E. O'Donnell, JD, LLM (10)

Absent: Director Andrea Zopp (1)

Also Present: Marcel Bright – Director of Public Affairs, John H. Stroger, Jr. Hospital of Cook County; Matthew B. DeLeon – Secretary to the Board of Commissioners of Cook County; Patrick T. Driscoll, Jr. – Deputy State's Attorney, Chief, Civil Actions Bureau, Office of the State's Attorney; Randall Mark – Director of Policy Analysis, Cook County Health and Hospitals System; Matt Powers – Health Management Associates; David R. Small – Interim Chief Executive Officer, Cook County Health and Hospitals System

Ladies and Gentlemen:

Your Board of Directors of the Cook County Health and Hospitals System met pursuant to notice on Thursday, October 16, 2008 at the hour of 7:30 A.M. at Stroger Hospital, 1901 W. Harrison Street, in the fifth floor conference room, in Chicago, Illinois.

Your Board of Directors has considered the following items and upon adoption of this report, the recommendations follow.

Matthew B. DeLeon, Secretary to the Board of Commissioners of Cook County, called the roll of members and it was determined that a quorum was present.

**APPROVAL OF THE MINUTES OF THE MEETING OF THE
COOK COUNTY HEALTH AND HOSPITALS SYSTEM
BOARD OF DIRECTORS OF FRIDAY, OCTOBER 3, 2008 AT 7:30 A.M.**

Director Butler, seconded by Director Lyne, moved to approve the minutes of the meeting of the Cook County Health and Hospitals System Board of Directors of Friday, October 3, 2008. THE MOTION CARRIED UNANIMOUSLY.

REPORT FROM SYSTEM BOARD CHAIRMAN WARREN L. BATTS

Chairman Batts provided information or updates on the following subjects.

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Update on Fiscal Year 2009 Budget

Chairman Batts distributed copies of the budget transmittal letter which was sent to President Stroger and the County Commissioners on October 16, 2008. (See Attachment #1.) Discussion took place, and comments were made with regard to the 2009 budget process and anticipated processes for future years' deliberations. Director Ansell requested that the preliminary budget review and discussion take place at the Board level next year; the budget would then be referred to the Finance Committee for their detailed review and discussion.

Chairman Batts outlined the steps that were expected to take place for this year's budget process. He indicated that meetings would be held with the President, County Finance Chairman John P. Daley, and the individual County Commissioners in the week of October 20th. He stated that the County Board has forty-five days from the time of submission to vote on it; if they don't vote on it within that time, it goes into effect.

The discussion turned to the County Board's approval process of the System's budget. In response to a question from Director Ansell with regard to whether the County Board's modifications of the budget would return back to the System Board, Patrick T. Driscoll, Jr., Deputy State's Attorney and Chief of the Civil Actions Bureau of the Office of the State's Attorney, stated that the County Board has final approval.

Director Ansell stated that if the System's budget is modified by the County Board, the System Board should have the ability to decide which programs should remain in the budget as a result of the modifications. Furthermore, he requested that the System's Board or Finance Committee review any modifications to re-allocate priorities.

Update on discussions with consulting firms

Chairman Batts provided an update on discussions that have been held on the subject of bringing in a consulting firm to assist the Board in their improvement efforts. He stated that so far, four companies have either declined to discuss the subject, did not respond, or declined after the presentation due to the size and complexity of the task. They have yet to meet with the largest firm; meetings and discussions to address this issue will continue.

REPORT FROM THE SYSTEM INTERIM CHIEF EXECUTIVE OFFICER DAVID R. SMALL

David R. Small, Interim Chief Executive Officer of the Cook County Health and Hospitals System, began by introducing Marcel Bright, Director of Public Affairs at John H. Stroger, Jr. Hospital of Cook County. (See Attachment #2.)

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Mr. Small presented information on the following topics or issues:

Cook County Board of Commissioners meeting of October 15, 2008

Mr. Small indicated that on October 15th, the Cook County Board approved the amendment to the Intergovernmental Transfer Agreement; this allows for an additional payment of \$3.67 million.

Compliance issue

During the discussion of a compliance issue with regard to the Illinois Health Facilities Planning Board, Director Carvalho recused himself.

External independent auditors for Fiscal Year 2008

Mr. Small stated that the enabling ordinance requires the System Board to select and engage an external independent auditing firm to handle the financial auditing of the System. He reminded the Board that the County had previously entered into a three-year agreement with Deloitte & Touche to perform the health audit. He stated that Deloitte & Touche has inquired whether the System would like them to continue going forward. He did not have a cost estimate, but stated that if the System continues with Deloitte & Touche, the System would be charged back.

Chairman Batts stated that the Audit Committee must meet to discuss the item and to make a recommendation¹.

Dashboard reporting

Mr. Small provided an update with regard to dashboard reporting.

Policies and Procedures for Procurement

Mr. Small stated that they are consulting with the State's Attorney's Office on the policies and procedures for procurement; he expects that these will soon be brought to the Finance Committee.

Single Medical Staff By-Laws

Mr. Small stated that the first draft of a single set of medical staff bylaws has been received from the State's Attorney's Office for review.

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Partnership/Collaboration Proposals from UIC

Mr. Small stated that a meeting was held with the Dean of the University of Illinois-Chicago's medical school with regard to potential partnerships or collaborations. He cited possible benefits from such a relationship, such as possible cost savings and the potential for additional teaching components. He stated that recommendations would be presented to the Finance Committee.

Discussion continued on the issue; Director Greenspan announced his conflict of interest with regard to any decisions made with the University of Illinois Medical Center. Director Lyne stated that the Board must be involved in conversations; the subject of broad academic affiliations is a Board issue.

COMMITTEE REPORTS

Human Resources Committee.....Meeting of 10-10-08

Director Carvalho, seconded by Director Butler, moved to approve the Report of the Human Resources Committee for the meeting of October 10, 2008. THE MOTION CARRIED UNANIMOUSLY.

COMMITTEE REPORTS

Finance Committee.....Meeting of 10-10-08

Director Carvalho, seconded by Director Lyne, moved to approve the Report of the Finance Committee for the meeting of October 10, 2008. THE MOTION CARRIED UNANIMOUSLY.

COMMITTEE REPORTS

Audit and Compliance Committee.....Meeting of 10-15-08

Director Muñoz, seconded by Director Butler, moved to approve the Report of the Audit and Compliance Committee for the meeting of October 15, 2008. THE MOTION CARRIED UNANIMOUSLY.

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DISCUSS AND APPROVE PROPOSED AMENDMENT TO THE RULES OF THE BOARD OF
DIRECTORS OF THE COOK COUNTY HEALTH AND HOSPITALS SYSTEM

(Deferred at the October 3, 2008 meeting of the Board of Directors.)

Submitting for approval the following amendment to the Rules of Organization and Procedure of the Board of Directors of the Cook County Health and Hospitals System.

Rule 4. Organization, (b) Standing committees and subcommittees, (2) The standing committees of the System Board shall be:

- A. Finance. This Committee shall be familiar with and review the income and expenditures of the CCHHS, advise the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer in preparation of the budget, review the proposed budget in advance of presentation to the System Board, and make recommendations to the System Board on all such financial matters. Additionally, this Committee will develop and present to the System Board, a recommended multi-year financing plan in support of the CCHHS strategic plan adopted by the System Board. This Committee shall be responsible for developing, implementing and monitoring policies and procedures regarding procurement and contracting for the CCHHS, ~~including providing for appropriate review of purchase contracts by this Committee.~~ The System Board delegates to this Committee the authority to act on behalf of the System Board in all matters regarding contracts for supplies, materials and equipment and contractual services for the System. Minutes of this Committee, as submitted to the System Board, shall include a list of contract matters approved by this Committee for the System Board's receipt and filing. This Committee shall further develop its responsibilities and determine a plan to implement those responsibilities. This Committee shall consider other matters as may be assigned by the System Board.

Discussion took place on the proposed amendment to the Rules of the Board of Directors of the Cook County Health and Hospitals System. Suggestions were made for possible revisions; it was determined that the Finance Committee would discuss the item to determine guidelines.

UPDATE FROM AD HOC STRATEGIC PLANNING COMMITTEE

Director Greenspan provided an update on Strategic Planning. As the Committee is struggling to get the information needed, management resources are being pulled in many directions. He suggested that, on a short-term basis, the services of an individual be engaged to pull the data together. This will be proposed as a Finance Committee item. He added that the original date of October 31st for the plenary session (introduction of the Strategic Planning Process to the stakeholders) has been changed to November 14, 2008 at 3:00 P.M.

With regard to the subject of engaging outside consultants, Director Greenspan stated that the operations consultants that they have spoken with have unanimously concluded that two processes will dovetail; operations will be assisted by the results of strategic planning and strategic planning will be assisted by the data that is generated from increased operations efforts.

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Director Golden reminded the Board to review the list previously distributed with the names of the stakeholders to be invited to the plenary session; Mr. Small was asked to re-send the list². She asked the Board to forward to Mr. Small any suggestions for changes to the invitation letter.

PRESENTATION ON INTERGOVERNMENTAL TRANSFERS

Finance Committee Chairman Carvalho and Director O'Donnell gave a detailed presentation on Intergovernmental Transfers. (See Attachment #3.)

Matt Powers, of Health Management Associates, provided additional information on the subject.

UPDATE ON RECRUITMENT EFFORTS FOR THE PERMANENT CHIEF EXECUTIVE OFFICER
FOR THE COOK COUNTY HEALTH AND HOSPITALS SYSTEM

Director Greenspan, seconded by Director Golden, moved to recess the regular session and convene into closed session, pursuant to an exception to the Illinois Open Meetings Act, 5 ILCS 120/2(c)(17), et seq., which permits closed meetings for consideration of "The recruitment, credentialing, discipline or formal peer review of physicians or other health care professionals for a hospital, or other institution providing medical care, that is operated by the public body." THE MOTION CARRIED UNANIMOUSLY.

Director Greenspan, seconded by Director Golden, moved to adjourn the closed session and convene into regular session. THE MOTION CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Chairman Batts asked the Secretary to call upon the registered speakers.


Secretary DeLeon replied that there were none.

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ADJOURNMENT

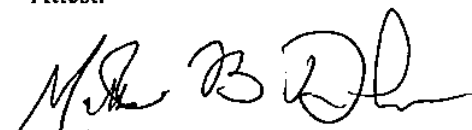
Director O'Donnell, seconded by Director Butler, moved to adjourn. THE MOTION CARRIED UNANIMOUSLY AND THE MEETING ADJOURNED.

Respectfully submitted,
Board of Directors of the
Cook County Health and Hospitals System



Warren L. Batts, Chairman

Attest:



Matthew B. DeLeon, Secretary

The following was requested or was indicated as a follow-up item at this meeting:

¹ Follow up item for Audit Committee: discuss and recommend action on the subject of external independent auditors for Fiscal Year 2008. On page 3.

² Request to re-send the list of names of the stakeholders to be invited to the Strategic Planning plenary session. On page 6. (David Small)

Cook County Health & Hospitals System

Todd H. Stroger • President
Cook County Board of Commissioners

Warren L. Batts • Chairman
Cook County Health & Hospital System

Jorge Ramirez • Vice-Chairman
Cook County Health & Hospitals System

David R. Small, FACHE • Interim CEO
Cook County Health & Hospitals System



Health System Board Members

Dr. David A. Ansell
Commissioner Jerry Butler
David N. Carvalho
Quin R. Golden
Benn Greenspan
Sr. Sheila Lyne
Dr. Luis R. Munoz
Heather E. O'Donnell
Andrea L. Zopp

1900 W. Polk Street, Suite 123
Chicago, IL 60612

October 16, 2008

Dear President Stroger and Cook County Board of Commissioners:

Please accept the Cook County Health and Hospitals System Board's budget recommendation for the County's Health and Hospitals System for Fiscal Year 2009. The budget recommendation was approved unanimously by the new System Board.

It is important to highlight that the System Board's recommended budget is a transition budget in its effort to rebuild, re-engineer and reform the County's health care system. The System Board has been in operation for just over three months. The Directors have met every week as a board or committee since July to lay the groundwork for meaningful and lasting long-term reform. This budget represents the first step in this process.

The recommended budget reflects four principal goals of the Board:

- Improve existing revenue streams, as well as identify new revenue sources,
- Seek operational efficiencies and economies,
- Add the necessary core functions and capacities that are absent or inadequately staffed, and
- Most importantly, deliver critical quality health care services to the uninsured and underinsured residents of Cook County.

Each of these goals will take time to accomplish in addition to dedicated resources and qualified personnel. They are interrelated in many ways. For example, institutional capacity for financial and operational analysis, both of which have been woefully lacking, are necessary to identify operational efficiencies and economies. Improved efficiency, and the resources thereby freed up, will be necessary to ensure that critical services are available to all residents of Cook County who seek them from the System. Meeting critical capital needs and improving our IT systems are required to accomplish all of our responsibilities.

In broad brush, the budget was put together in the following way: First, the costs of inflation and County-negotiated collective bargaining agreements were included. This circumstance alone accounts for nearly 60% of the recommended budget increase. Next, the most critical institutional capacity deficiencies and service needs were identified and explicitly budgeted for, with new sales tax revenues. Finally, goals for operational efficiencies and economies were established and identified as the source of funding for further necessary capacity additions and the rebuilding of essential services.

• Ambulatory & Community Health Network • Cermak Health Services • Department of Public Health •
• John H. Stroger, Jr. Hospital of Cook County • Oak Forest Hospital • Provident Hospital • Ruth M. Rothstein CORE Center •

We Bring Health CARE to Your Community

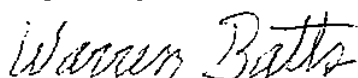
As required under the Ordinance establishing the System Board, we have begun the strategic planning process for the County's health care system and the nationwide search for a permanent System Chief Executive Officer. Both will be completed in the middle of the budget year and will significantly impact the direction the System takes over the coming years.

However, the System cannot wait. Accordingly, the System Board has constructed a budget with maximum flexibility, yet as realistic as possible at this time in the reform process. We have not asked for everything we believe we need – we are holding ourselves and our administrators to the task of finding the additional resources to meet our needs from internal savings and improved revenues.

The budget submitted will be a living, breathing document. Over the course of the next fiscal year, the System Board will expect the System management to identify opportunities for significant efficiency improvements and revenue enhancements and the System Board will direct resources saved or obtained to meet the additional System needs that have not been explicitly budgeted for. The process for accomplishing this has already begun so that operational improvements can be realized as quickly as possible.

Perhaps the most important number shaping this budget is a number that appears nowhere in the document. Just last week, the U.S. Census Bureau released a new estimate of the number of uninsured persons in Cook County - 784,930, or 16.9% of the population. The Cook County health care system sees only a fraction of these persons each year, but serves as the ultimate safety net for all of them. In addition, we have learned of unmet needs throughout the system, especially southern Cook County. We know that the resources we have asked for in this budget are inadequate to these tasks, but nonetheless it is our responsibility to provide quality health care services in an efficient and effective manner with our limited resources.

Respectfully,



Warren L. Batts
Chair
Cook County Health and Hospitals System (CCHHS)
Board of Directors

Cc: CCHHS Board of Directors
David R. Small, CCHHS Interim CEO
Joseph M. Fratto, Chief of Staff
Donna L. Dunnings, Cook County CFO

Cook County Health & Hospitals System

Todd H. Stroger • President
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Benn Greenspan
Sr. Sheila Lyne
Dr. Luis R. Muñoz
Heather E. O'Donnell
Andrea L. Zopp

— NEWS RELEASE —

1900 West Polk Street, Suite 220
Chicago, Illinois 60612

For Immediate Release: October 16, 2008

Contact: 312 864-5508

Marcel Bright is Director of Public Affairs at J.H. Stroger, Jr. Hospital of Cook County. Before joining Stroger Hospital in June 2008 he worked at a variety of positions with the Chicago Police Department. His last position with the Police Department was as a spokesman for its News Affairs Office. His other duties included writing news releases, as well as speeches and talking points for its exempt (executive) members. He also organized news conferences.

Before joining the News Affairs Office he worked in the Publications Unit where he was assistant editor of The Police Star Magazine. He wrote articles, took photographs, edited copy and assisted in the design of the publication. He also researched, wrote and designed Training Bulletins. Bright also was an instructor at the Police Academy where he taught Preliminary Investigations and Case Report writing. He also helped overhaul the lesson plan for teaching case report writing to recruits.

In 1998 he was chosen as one of the first members of the Police Departments Ambassador Program. This group went to colleges, job fairs, and various media outlets to seek applicants for the then new Chicago Police Exam that required two years of college credits.

Before he joined the Police Department he worked as copydesk editor at the Chicago Defender and was acting managing editor for five months. While there he also wrote editorials.

In 1995 and 1999 he worked as Press Secretary for Public School Principal Geraldine Laury in her two aldermanic campaigns.

Marcel Bright began his professional career as a reporter for the Decatur Herald and Review. He also worked as a reporter in the Springfield, Ill. Bureau of the St. Louis Globe-Democrat.

In 1984 he earned a Masters Degree in Public Affairs Reporting from the University of Illinois at Springfield. He received a Bachelors Degree in Journalism from Eastern Illinois University in 1980.

Marcel Bright

Public Affairs and Communications Suite 133
1900 West Polk Street, Chicago, Illinois 60612

Direct:	312 864-5508	Cell:	773 716-4112
General:	312 864-0070	Pager:	312 713-0136
Fax:	312 864-9564	E-mail:	mbright@ccbhs.org

Medicaid Funding for the Cook County Health and Hospital System

Heather O'Donnell
Policy Director, Healthcare

October 16, 2008

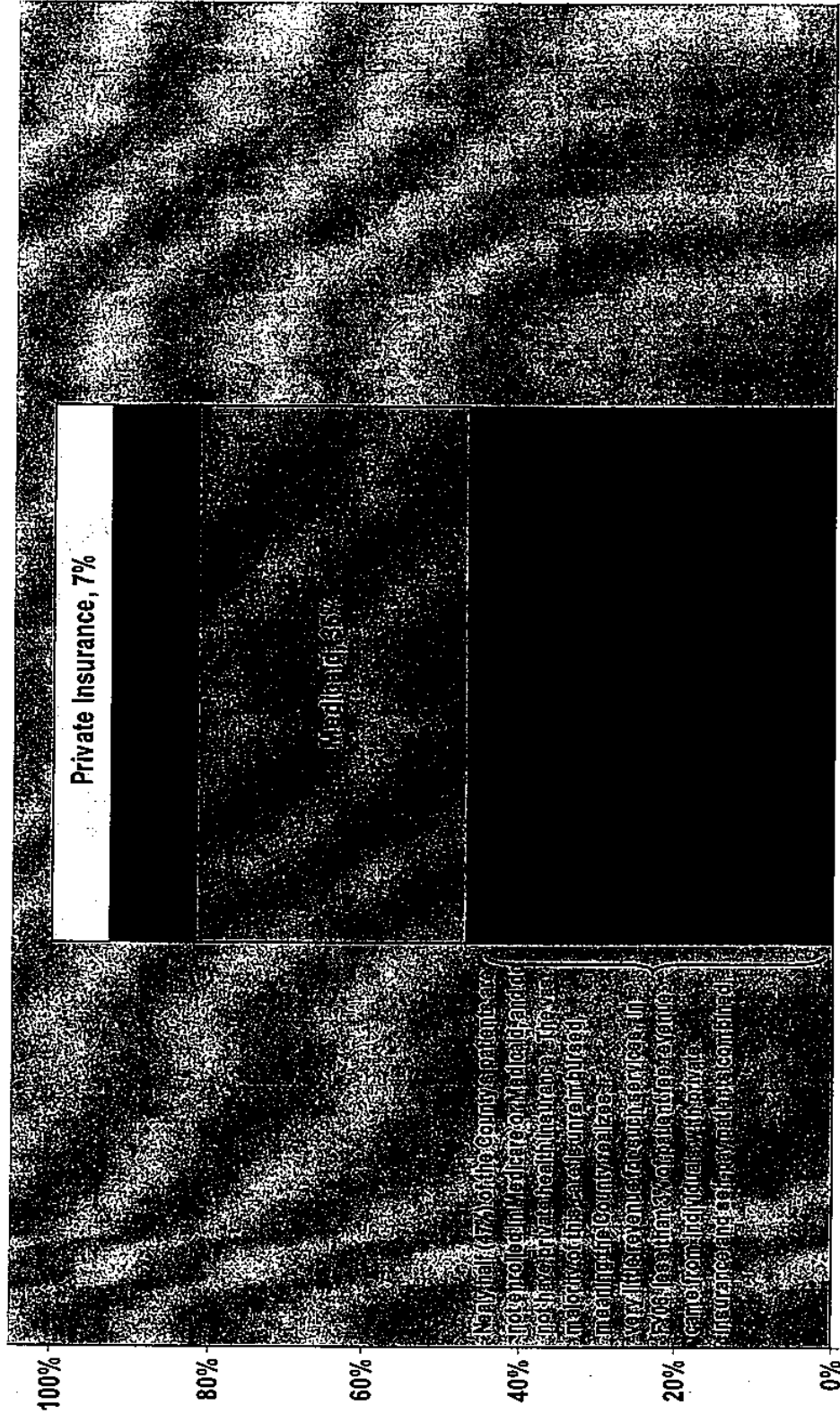
Funding Sources for the Health and Hospital System for FY07

• Federal Medicaid Funds:	51.6%
• Local Property Tax:	19.7%
• Local Cigarette Tax:	16.7%
• Medicare:	9.3%
• Private Insurance and Self-Pay:	2.6%
• Local Sales Tax:	<u>0.1%</u>
	100%

The Importance of Medicaid to Cook County's Health and Hospital System

- ***More than half*** of the Health and Hospital System's revenue comes from Federal Medicaid dollars.

Cook County Payor Mix from Patient Fee Revenue



4

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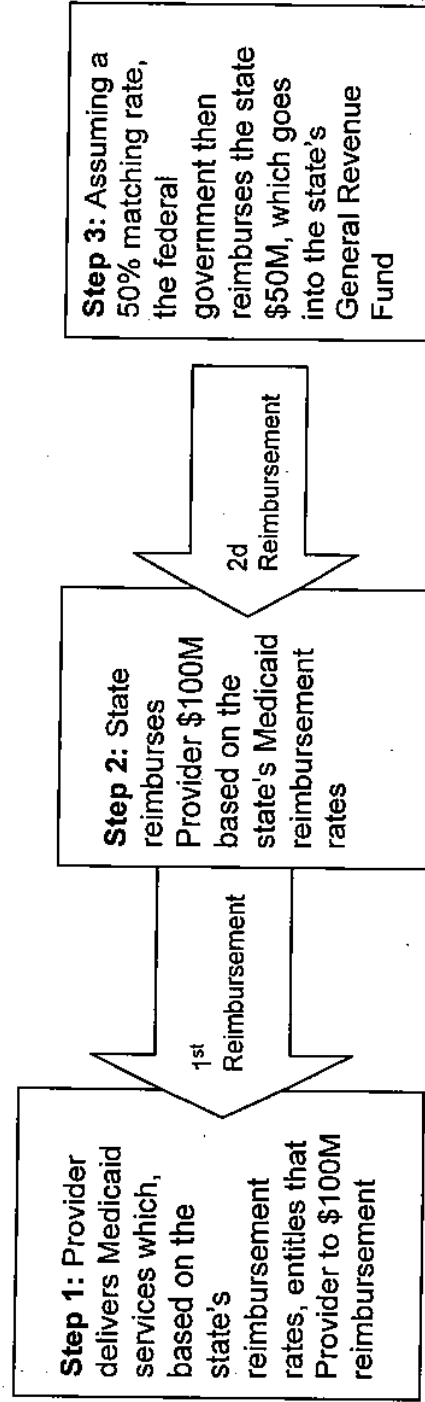
Data Sources: Cook County FY05 Comprehensive Annual Financial Report, Final FY07 Executive Revenue Estimate, Based on Gross Charges

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How Medicaid Reimbursement Works in Illinois

Generally, Medicaid is funded with state and federal funds. Illinois is reimbursed by the federal government for half of its Medicaid expenditures (50% FMAP rate).

The flow of money



Medicaid Funding at Cook County

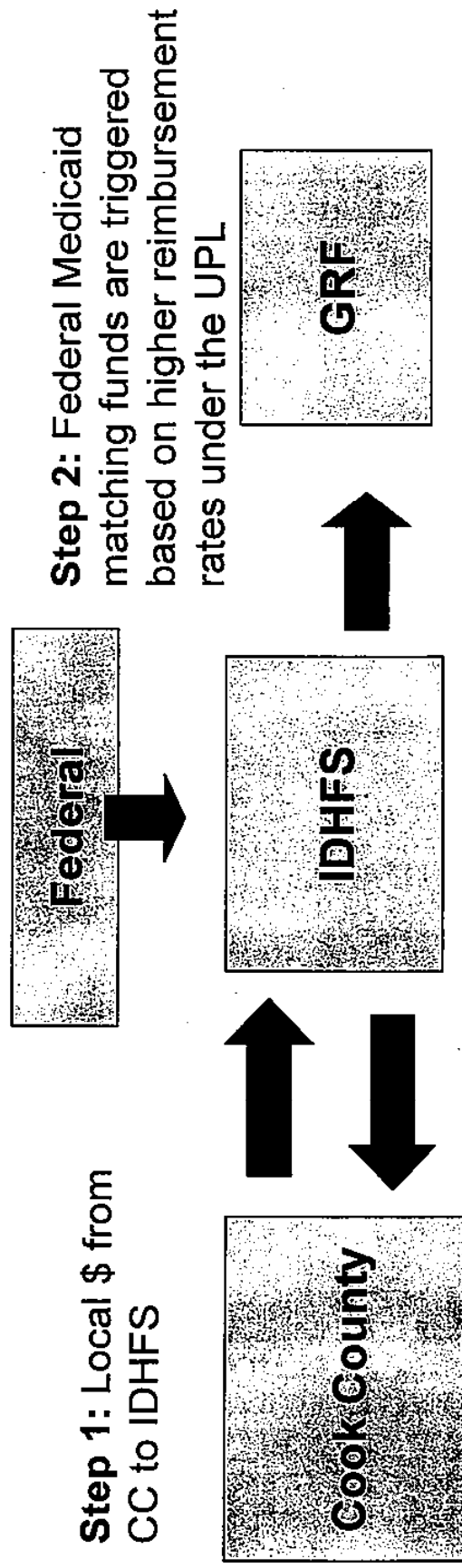
- At Cook County, Medicaid is financed by local and federal funds only – no state dollars are used.

Cook County Medicaid Reimbursement

- Typically Medicaid reimbursement rates do not cover the actual cost of providing Medicaid services.
- Cook County receives higher Medicaid reimbursement rates than other providers to help the County cover its high indigent care costs.
- The higher Medicaid reimbursement rates are based on the “upper payment limit” or “UPL.” Under the UPL, a state can pay providers up to what *Medicare* would have paid for the same services. (State law enacted in 2008 has redefined how the UPL will be calculated in the coming years).
- Without the higher rate allowed under the UPL, the County could not cover its costs in providing indigent care.

The Cook County IGT

Based on Medicaid services provided:



Step 3: CC is reimbursed its local contribution, plus it receives the federal Medicaid match.

Step 4: CC sends a percentage of the federal Medicaid matching funds back to the State via an IGT.

Source: Office of the Illinois Comptroller; Cook County Bureau of Health, Illinois Department of Healthcare and Family Services.

The County's Federal Medicaid Funds: Two Separate Sources

1. The reimbursement rates allowed under the UPL provisions (main IGT and Medicaid billing).
2. The "Medicare, Medicaid and SCHIP Benefits Improvement Protection Act of 2000" – "BIPA".

Federal Funds Received under the UPL

- Pursuant to several IGT agreements, the State of Illinois and Cook County split the federal funds: approximately 30% to Cook County; 70% to the State.
- Federal regulations enacted in 2001 significantly curtailed the County's ability to trigger IGT funds using the UPL. The phase-out of the use of this methodology was completed in 2008.

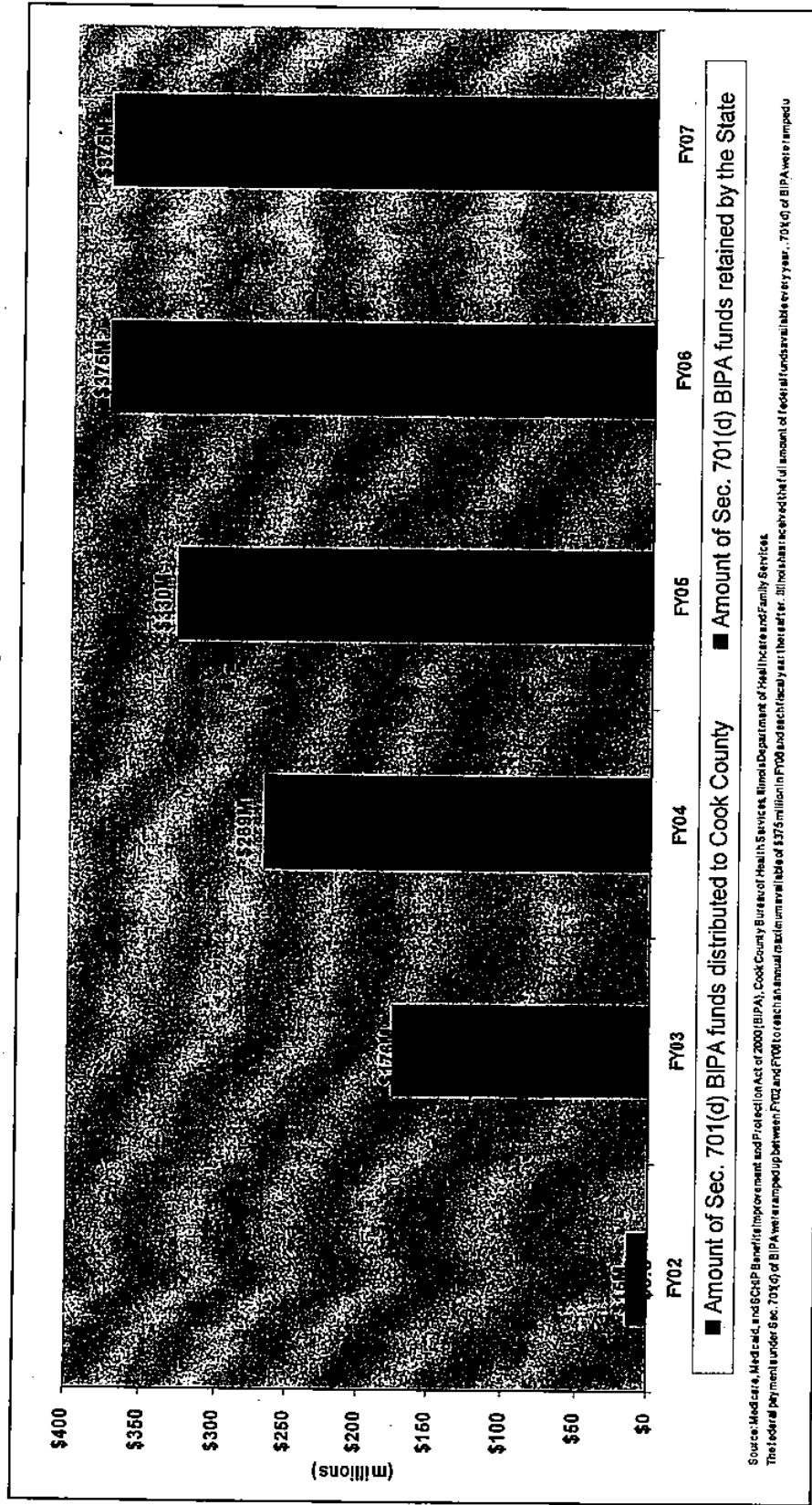
Federal Medicaid Funds Received Pursuant to BIPA

- Section 701(d) of BIPA was put into place to make up a portion of the County's lost Federal Medicaid funds under the 2001 UPL regulations.
- BIPA funds are separate from typical Medicaid reimbursement rates, including the UPL.
- Sec. 701(d) of BIPA provides for special supplemental Medicaid payments appropriated only to qualifying public safety-net providers that serve a substantial number of low-income patients.

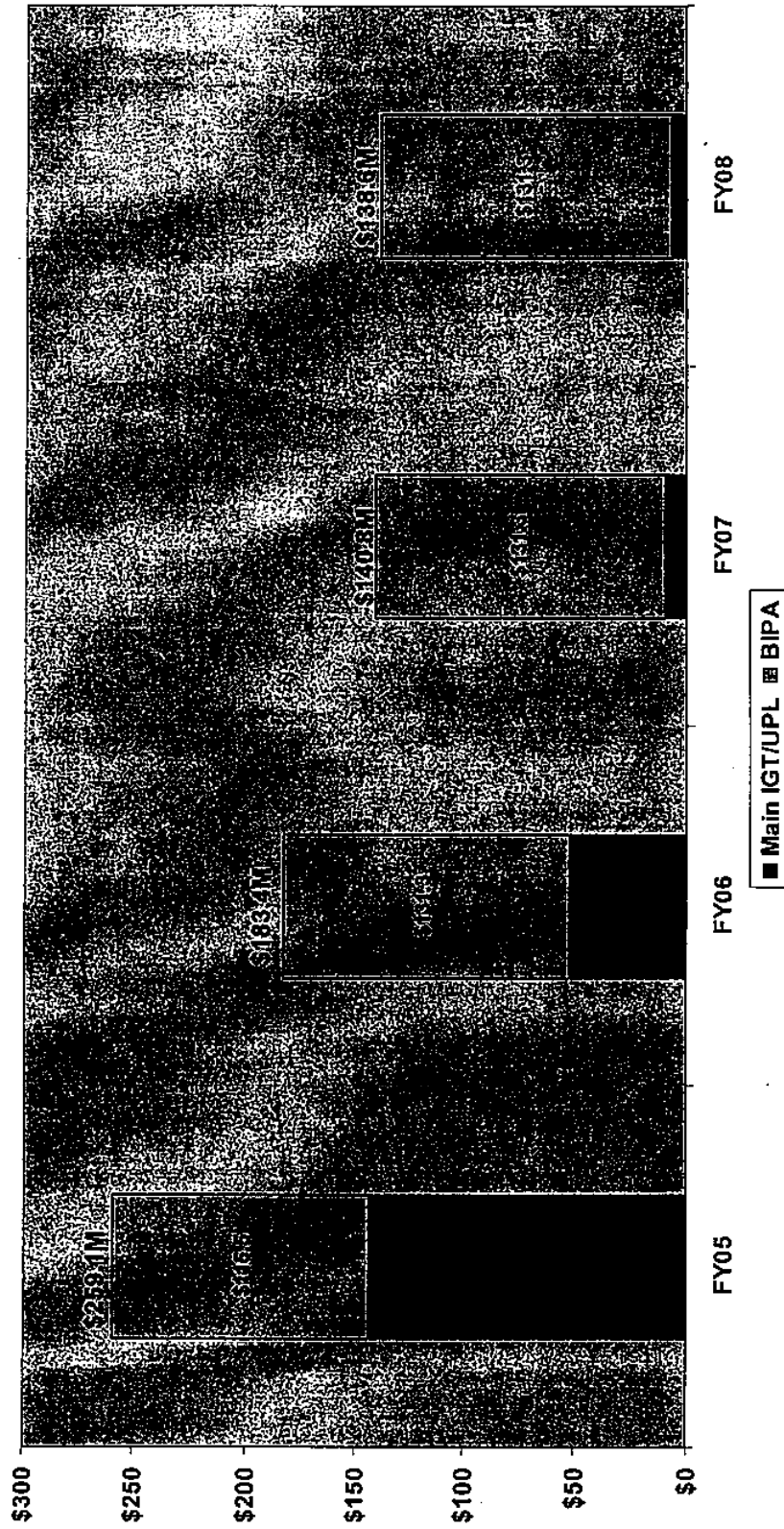
Federal Medicaid Funds Received Pursuant to BIPA

- Under BIPA, the Cook County health care system triggers \$375 million annually in Federal Medicaid funds to cover the cost of indigent care.
- Pursuant to an IGT agreement, these funds are split between the County and the State. Cook County retains 35% of the BIPA funds (\$131 million), and the State retains 65% of the BIPA funds (\$243 million).

How the BIPA Funds Are Divided Between the County and the State



Cook County's Health Care System Lost \$120.5 Million in Medicaid Revenue Between FY05 and FY08



Contact Information

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